

Message Text

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ORIGIN EA-12

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DRAFTED BY EA/K:STAFF:LKD
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R 300055Z JUN 78
FM SECSTATE WASHDC
TO ALL EAST ASIAN AND PACIFIC DIPLOMATIC POSTS
AMEMBASSY PORT MORESBY POUCH
XMT AMEMBASSY PORT MORESBY

S E C R E T STATE 166243

E.O. 11652: GDS

TAGS: EAID, EAGR, ETRD, MOPS, PGOV, MASS, MARR, XMB, EFIN,

SUBJECT: WEEKLY STATUS REPORT - KOREA

TO: EA - MR. HOLBROOKE

FROM: EA/K - ROBERT G. RICH, JR.

1. YET ONE MORE SNAG IN PL-480 (CONFIDENTIAL)

AFTER SOME EIGHT MONTHS OF NEGOTIATIONS, EMBASSY SEOUL WAS
AUTHORIZED TWO WEEKS AGO TO EXCHANGE NOTES ON THE FIRST
AMENDMENT TO THE 1977 PL 480 AGREEMENT. THE EXCHANGE OF
NOTES TO IMPLEMENT THE PURCHASE OF \$59.5 MILLION WORTH OF
WHEAT AND CORN WAS SCHEDULED FOR JUNE 26 IN ORDER TO AWAIT
THE RETURN TO KOREA OF DEPUTY PRIME MINISTER NAM. IN THE
WAKE OF CONGRESSIONAL ACTION TO DELETE PL 480 FUNDS FOR
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KOREA FROM THE FY-79 AGRICULTURE APPROPRIATIONS BILL ON JUNE
22, WE INSTRUCTED EMBASSY SEOUL TO DEFER THE FORMAL EXCHANGE
(AN INFORMAL EXCHANGE OF NOTES HAD ALREADY TAKEN PLACE)
PENDING CONSULTATION WITH KEY CONGRESSIONAL LEADERS.
ALTHOUGH THIS AMENDMENT INVOLVES TITLE I FUNDS FOR FY-78,
NOT FY-79, WE WISHED TO AVOID THE APPEARANCE OF FLOUTING
THE WILL OF CONGRESS. THE EARLIER LONG DELAY IN CONCLUDING
THIS AMENDMENT MAKES IT A PARTICULARLY SENSITIVE ISSUE,
AND WE MUST MOVE CAREFULLY WITH THE ROKG TO AVOID JEOPAR-
DIZING OUR \$1 BILLION CASH MARKET IN KOREA FOR AMERICAN

AGRICULTURAL PRODUCTS. (BP)

2. ANOTHER FISHING BOAT INCIDENT (CONFIDENTIAL)

IN THE LATE AFTERNOON OF JUNE 27, ROK NAVY RADAR BEGAN TRACKING THREE CRAFT HEADED SOUTH TOWARD PAENGYONG ISLAND, THE NORTHERNMOST OF THE ISLANDS OFF THE WEST COAST OF KOREA UNDER UN COMMAND CONTROL. THE KOREAN NAVY INTERCEPTED THE LEAD CRAFT, A FISHING BOAT, WHEN IT WAS ABOUT 1,000 YARDS FROM THE SHORE AND DROVE OFF THE TWO PURSUING NORTH KOREAN PATROL BAOTS IN AN INCONCLUSIVE EXCHANGE OF GUNFIRE. DURING BOARDING EFFORTS IN A ROUGH SEA AND POOR VISIBILITY, THE FISHING BOAT AND ROK DESTROYER COLLIDED. FIVE NORTH KOREAN CREWMEN WERE RESCUED AS THE BOAT SANK. THE NORTH KOREANS HAVE PROTESTED THE INCIDENT AND A MILITARY ARMISTICE COMMISSION MEETING IS SCHEDULED FOR JULY 3, AT WHICH THE CREWMEN WILL BE REPATRIATED. (FM)

3. CONFISCATED NBC FILM OF JUNE 26 DEMONSTRATION RETURNED (LIMITED OFFICIAL USE)

EARLIER THIS WEEK AN OVERACHIEVER CUSTOMS OFFICIAL AT KIMPO AIRPORT CONFISCATED FILM TAKEN BY A KOREAN EMPLOYEE OF NBC
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NEWS OF A JUNE 26 STUDENT DEMONSTRATION IN SEOUL. AFTER COMPLAINT ABOUT THIS HIGH HANDED ACTION, FIRST BY EMBASSY SEOUL AND THEN BY THE DEPARTMENT, WE WERE INFORMED BY THE KOREAN EMBASSY ON JUNE 29 THAT THE FILM HAD BEEN RETURNED AND SENT ON TO NBC IN THE USA. (DB)

4. PRESIDENTIAL ELECTION (CONFIDENTIAL)

WE ARE GETTING REPORTS THAT THE NATIONAL COUNCIL FOR UNIFICATION (PRESIDENTIAL ELECTORS) ELECTED ON MAY 28 WILL ELECT THE NEXT ROK PRESIDENT (PARK) AS EARLY AS JULY 6, THUS PAVING THE WAY FOR AN INAUGURATION IN AUGUST. IN CONNECTION WITH THE BEGINNING OF A NEW PRESIDENTIAL TERM WE CAN ANTICIPATE CABINET CHANGES AND HOPEFULLY SOME STEP TOWARD FURTHER POLITICAL LIBERALIZATION. (RGR)

5. STUDY OF ROK MISSILE REQUIREMENTS PROCEEDING (SECRET)

DOD, WITH SOME INPUT FROM STATE (PM) IS PROCEEDING WITH A UNILATERAL ASSESSMENT OF ROK MISSILE REQUIREMENTS WITH AN EYE TO DEVELOPING CRITERIA WHICH WILL ALLOW US TO BE RESPONSIVE TO ROK REQUESTS FOR ASSISTANCE IN THIS FIELD WHILE AT THE SAME TIME PROTECTING OUR LARGER INTERESTS. THE RESULTS OF THE UNILATERAL STUDY WILL BE CONSIDERED AT THE POLICY LEVEL IN BOTH STATE AND DEFENSE TO DETERMINE

WHETHER WE WANT TO PROPOSE A FOLLOWON JOINT STUDY WITH THE

ROK. AT STATE INSISTENCE THE STUDY WILL ENCOMPASS BOTH SHORT RANGE - UNDER 180 KM - AND LONGER RANGE MISSILE REQUIREMENTS AND SYSTEMS. IT NOW SEEMS UNLIKELY WE WILL BE READY TO DISCUSS THIS ISSUE WITH THE ROK AT THE SCM, BUT DECISIONS SHOULD BE FORTHCOMING BY EARLY FALL. (DB)

6. DEPUTY PRIME MINISTER NAM'S WASHINGTON VISIT
(CONFIDENTIAL)

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KOREA'S CHIEF ECONOMIST USED HIS FOUR-DAY WASHINGTON VISIT TO RAISE BI-LATERAL ECONOMIC ISSUES OF HIS GREATEST CONCERN WITH TOP USG OFFICIALS. TOPICS INCLUDED THE ROK'S FEARS OVER GROWING PROTECTIONISM WORLDWIDE AT A TIME WHEN KOREA IS LIBERALIZING IMPORTS (COMMERCE UNDERSECRETARY HARMAN), KOREA'S NEED FOR MEDIUM TERM FINANCING AND SUPPLY ASSURANCES ON WHEAT, CORN AND COTTON (AGRICULTURE SECRETARY BERGLAND), INCREASED TECHNICAL COOPERATION TO AUGMENT PHASED-OUT ECONOMIC ASSISTANCE (AID ADMINISTRATOR GILLIGAN) AND A REQUEST FOR USG SUPPORT FOR KOREA'S EVENTUAL BID TO JOIN THE OECD (TREASURY SECRETARY BLUMENTHAL). IN CONNECTION WITH THE LATTER, NAM SAID KOREA WILL PROCEED WITH LIBERALIZING ITS ECONOMY IN PREPARATION FOR ENTRY, AND BLUMENTHAL NOTED THE DESIRABILITY OF CONTINUED HUMAN RIGHTS PROGRESS. THE KOREAN DELEGATION EXPRESSED SATISFACTION WITH THE TRIP, WHICH ALSO BROUGHT FINANCIAL SUCCESS: NAM RECEIVED TENTATIVE ASSURANCES OF \$100 MILLION EACH FROM IBRD AND EXIM TO START KOREA'S AMBITIOUS MANPOWER IMPROVEMENT PROGRAM. (BP)

7. ANOTHER NORTH KOREAN TUNNEL UNDER THE DMZ (SECRET)

THE UN COMMAND REPORTS THAT THE ROK HAS ALMOST CERTAINLY DISCOVERED ANOTHER NORTH KOREAN INVASION TUNNEL UNDER THE DMZ. AN INTERSECTING TUNNEL TO CONFIRM THE EXISTENCE OF THE NORTH KOREAN SHAFT WILL BE COMPLETED BY OCTOBER. EMBASSY SEOUL BELIEVES THAT THE ROKG DOES NOT WANT TO PUBLICIZE THE DISCOVERY AT THIS TIME. THIS CAUTION SEEMS TO BE MOTIVATED NOT ONLY BY A PRUDENT DESIRE TO BE ABSOLUTELY SURE A TUNNEL EXISTS, BUT ALSO BY A DESIRE TO AVOID POLEMICS WITH THE NORTH WHILE PRESIDENT PARK'S JUNE 23 INITIATIVE FOR NORTH-SOUTH ECONOMIC DIALOGUE IS FRESH AND WHEN A PRESIDENTIAL ELECTION IN THE SOUTH IS IMMINENT. (DB)

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8. IMF REPORT TO CITE IMPORT LIBERALIZATION AS AN INFLATION REMEDY (LIMITED OFFICIAL USE)

EMBASSY SEOUL REPORTS THAT THE MAIN FALLOUT FROM THIS

YEAR'S IMF CONSULTATIONS IN KOREA IS LIKELY TO BE A LOWKEY

IMF RECOMMENDATION FOR ACCELERATED IMPORT LIBERALIZATION. THE IMF'S REPORT IS EXPECTED TO IDENTIFY INFLATION AS KOREA'S NUMBER ONE ECONOMIC PROBLEM, AND CITE THE ROK'S PROJECTED \$300 MILLION CURRENT ACCOUNT DEFICIT AS A STEP IN THE RIGHT DIRECTION. ASIDE FROM ENCOURAGING IMPORT LIBERALIZATION, THE REPORT MAY ALSO CALL FOR ADJUSTMENT OF THE AGRICULTURAL PRICE SUPPORT POLICY AND THE INTEREST RATE STRUCTURE TO HELP CURB INFLATION. AN ERA ENDED WHEN IT WAS MUTUALLY DECIDED NOT TO RENEW THE ANNUAL IMF STAND-BY AGREEMENT FOR KOREA. (BP)

9. PROMISE TO JOIN WHALING COMMISSION AVOIDS PELLEY AMENDMENT SANCTIONS (LIMITED OFFICAL USE)

IN RESPONSE TO OUR NOTIFICATION EARLIER THIS MONTH THAT COMMERCE INTENDED TO INVOKE PELLEY AMENDMENT SANCTIONS AGAINST FISH IMPORTS FROM KOREA UNLESS THE ROK JOINED THE INTERNATIONAL WHALING COMMISSION, WE HAVE BEEN ASSURED BOTH IN WASHINGTON AND SEOUL THAT THE ROKG WILL JOIN THE COMMISSION BY THE END OF THE YEAR. THIS ASSURANCE IS SUFFICIENT BASIS TO AVOID SANCTIONS. (DB)

10. SENATE COMMITTEE REPORTS ON "FRIENDLY" INTELLIGENCE ACTIVITIES IN THE U.S. (CONFIDENTIAL)

THE SENATE INTELLIGENCE COMMITTEE HAS ISSUED A REPORT JUNE 22 CITING THE ROK AS A CASE STUDY ON THE ACTIVITIES OF "FRIENDLY" INTELLIGENCE SERVICES IN THE U.S. THE PUBLIC VERSION CONTAINED MOST OF OUR SUGGESTED CHANGES (REPORTED SECRET

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EARLIER) AND NO REAL SURPRISES. THE SUMMARY, AND RECOMMENDATIONS AND CONCLUSIONS SECTIONS (WHICH WE HAD NOT SEEN BEFORE), EMPHASIZE THAT FORMAL MECHANISMS HAVE NOT EXISTED TO MONITOR AND REACT TO INTELLIGENCE ACTIVITIES CONDUCTED IN THE US BY FRIENDLY GOVERNMENTS. THE REPORT MAKES A NUMBER OF RECOMMENDATIONS TO IMPROVE THIS SITUATION. ONE POINT WHICH IS POTENTIALLY TROUBLESOME FOR US IS THE "ACKNOWLEDGEMENT OF OUR OWN INTELLIGENCE ACTIVITIES ON FOREIGN, INCLUDING SOUTH KOREA, SOIL..." THE REPORT ALSO SUGGESTS THAT THE USG CONSULT WITH FRIENDS AND ALLIES TO ESTABLISH LIMITS ON INTELLIGENCE ACTIVITIES. (BP)

11. U.S. BUSINESS BULLISH ON KOREA (UNCLASSIFIED)

DURING DISCUSSIONS BY AMB. GLEYSTEN WITH BANKING AND BUSINESS COMMUNITY LEADERS IN NEW YORK JUNE 28, WE FOUND U.S. BUSINESS TO BE QUITE BULLISH ON THE KOREAN ECONOMY AND U.S.-ROK ECONOMIC RELATIONS. ROK ECONOMIC PLANNERS WERE GIVEN EXCEEDINGLY HIGH MARKS FOR PROFESSIONALISM AND

FAIRNESS AND A DISTINCT IMPROVEMENT WAS NOTED REGARDING

BUREAUCRATIC CORRUPTION INSOFAR AS OBSERVED BY U.S FIRMS DOING BUSINESS THERE. THE KOREANS WERE PRAISED ALSO FOR CURRENT ATTENTION TO INFLATION AND TRADE LIBERALIZATION AS WELL AS INCENTIVES OFFERED TO AMERICAN BANKS AND INSURANCE COMPANIES TO COMPETE WITH DOMESTIC ORGANIZATIONS. THE CHEMICAL BANK OF NEW YORK IN SEPTEMBER WILL BECOME THE LATEST ADDITION TO THE U.S BANK BRANCH COMMUNITY IN KOREA. (RGR)

12. CALTEX PLANS OFFSHORE DRILLING (CONFIDENTIAL)

FOLLOWING THE RECENT PASSAGE BY THE JAPANESE DIET OF THE
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LEGISLATION TO IMPLEMENT THE ROK-JAPAN CONTINENTAL SHELF AGREEMENT, CALTEX IS PROCEEDING AT TOP SPEED TO PREPARE FOR DRILLING OPERATIONS IN A PRIME ROK CONCESSION AREA SOUTH OF CHEJU ISLAND. DRILLING SHOULD BE UNDERWAY BY THE SUMMER OF 1979. ALTHOUGH CLEARLY EAST OF THE CHINA-JAPAN MEDIAN LINE, THE PRC DOES CLAIM PART OF THE CONCESSION AREA. CALTEX ALREADY HAS ESTABLISHED SOME COMMERCIAL DEALINGS WITH THE PRC AND ANTICIPATES LITTLE MORE THAN PRO FORMA CHINESE OBJECTIONS. (RGR)

13. TONGSUN PARK RETURNS HOME (UNCLASSIFIED)

HAVING COMPLETED ALL CURRENT REQUIREMENTS FOR TESTIMONY BEFORE JUSTICE INVESTIGATORS OR CONGRESSIONAL COMMITTEES, TONGSUN PARK QUIETLY SLIPPED OUT OF WASHINGTON THIS WEEK AND HAS RETURNED TO KOREA. (RGR)

VANCE

NOTE BY OC/T: POUCHED PORT MORESBY.

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